

Lesson 19.1 Assessing Business Risks

LESSON QUIZ

Directions: For each of the following statements, if the statement is true, write a T on the answer line; if the statement is false, write an F on the answer line.

- T 1. People invest time and money in new businesses or products when there is a risk of loss because there is also an opportunity for success and profit.
- F 2. Success in marketing is always determined by profit.
- F 3. Every business faces risks, but individual consumers do not.
- F 4. A pure risk presents the possibility of an opportunity for gain but not loss.
- T 5. If your actions can affect the results of a risk, it is a controllable risk.
- T 6. Speculative risks are not insurable.
- T 7. People responsible for risk management go through a careful process to decide the best way to deal with each risk faced by the business.

Directions: For each of the following items, decide which choice best completes the statement. Write the letter that identifies your choice on the answer line.

- A 8. If a risk is faced by a large number of people, the risk is pure rather than speculative, and the amount of loss can be predicted, it is a(n)
 - A. insurable risk
 - B. controlled risk
 - C. pure risk
 - D. market risk
- A 9. If a business chooses to let another business complete a risky activity for it, it is
 - A. transferring the risk
 - B. avoiding the risk
 - C. assuming the risk
 - D. insuring the risk
- C 10. A company that assumes a risk
 - A. purchases insurance to protect the company from the loss
 - B. sues the company or individual responsible for any loss
 - C. faces the risk and deals with the result
 - D. all of the above

Activity 1 • Types of Risk

Directions: For each of the following statements, determine the type of risk in each category.

Event	Type of Risk		
	Pure (P)/ Speculative (S)	Controllable (C)/ Uncontrollable (U)	Insurable (I)/ Uninsurable (U)
An electrical outage causes the food in your store's freezers to spoil.	P	C	I
A hailstorm destroys over half of your vegetable crop.	P	U	I
You install mirrors on the ends of the aisles in your store to detect shoplifters.	P	C	I
A country to which you export your product places new tariffs on incoming products.	P	U	U
The FDA releases a report that a chemical you use in your manufacturing process might be considered harmful.	P	C	U

Activity 2 • Shoplifting and Employee Theft: A Risk Problem

Directions: The owner of a clothing store in a shopping mall estimates that approximately 2 percent of gross sales are lost to shoplifters and employee theft. From your knowledge of risk management and business practices, describe at least three actions the manager might take for each of these problems.

Answers will vary. Sample answers are provided.

Shoplifting: Extra personnel scheduled on every shift, employee training, policies on items taken into the dressing rooms, mirrors in the store, camera surveillance of the store, sensor tags on merchandise

Employee theft: Additional employee training, enforcement of laws pertaining to employee theft, additional management on duty, checks of employees leaving at the end of their shifts, policies on employee purchases, monitoring of record scanning and cash drawer receipts

Lesson 19.2 Identifying Marketing Risks

LESSON QUIZ

Directions: For each of the following statements, if the statement is true, write a T on the answer line; if the statement is false, write an F on the answer line.

- F 1. Risk management is an important part of the product/service management function.
- T 2. Marketers evaluate opportunities to determine which provide the greatest opportunities with the least risk.
- F 3. Competitors' actions cannot be predicted so should not be considered a business risk.
- F 4. New customers present a better opportunity for a business introducing a new product than its current customers.
- F 5. Some elements of the marketing mix are not subject to risks.
- T 6. The greatest risk facing businesses for the product mix element is liability.
- F 7. Businesses cannot be held legally liable for inaccurate or misleading advertising.

Directions: For each of the following items, decide which choice best completes the statement. Write the letter that identifies your choice on the answer line.

- D 8. Providing security and safety for products, personnel, and customers and reducing the risk associated with marketing decisions and activities is
 - A. marketing management
 - B. market opportunity analysis
 - C. liability analysis
 - D. risk management
- C 9. A legal responsibility for loss or damage is
 - A. shoplifting
 - B. risk
 - C. liability
 - D. insurance
- B 10. Which of the following examples illustrates a risk in the distribution mix element?
 - A. a competitor introduces a new product
 - B. the government doubles the tax on gasoline and diesel fuel
 - C. a new electronic billboard is installed directly across from your business sponsored by your main competitor
 - D. all of the above

Activity 1 • Risk Management with the Channel of Distribution

Directions: Distribution channel members are instrumental in minimizing and often assuming the risk for the manufacturer and retailer. For each of the following questions, determine whether the wholesaler or agent assumes any risk for the products being sold.

Answers will vary. Sample answers are provided.

Question	Retail Sale of Fresh Vegetables	Wholesaler of Office Supplies	Real Estate Agent
What are the characteristics of the product that will be affected by risk?	<i>perishable, adequate high-quality supply, customer demand</i>	<i>damage in transit, losses from employee theft</i>	<i>hidden defects, dishonest seller</i>
What services or activities must be provided in order to minimize risk?	<i>contracts with suppliers, careful product handling, careful inventory management</i>	<i>employee training in product handling, climate-controlled storage facility, secure storage and transportation</i>	<i>thorough inspection of property, written guarantee, full disclosure to buyer</i>
Who will be responsible for the distribution?	<i>local producer or food wholesaler and retailer</i>	<i>manufacturer and wholesaler</i>	<i>agent</i>
Who assumes the risk?	<i>producer, wholesaler, retailer, and customer</i>	<i>wholesaler and manufacturer</i>	<i>seller, agent, and customer</i>

Activity 2 • Analyzing Risk to Improve Exchanges

Directions: You are the manager of a convenience store. Your district manager has given you a checklist of areas where attention to risks can improve satisfying exchanges with customers. List at least two measures you can take to manage risk for each area of concern.

Answers will vary. Sample answers are provided.

Area of Concern	Risk Management Measures
Customer Safety	<i>Keep aisles clear, provide well-lit parking lot, position products so they can be easily and safely handled, help customers carry heavy purchases</i>
Employee Safety	<i>Provide healthy and safe work environment, emphasize safety in employee training, keep equipment in good repair, have employees report safety concerns</i>
Marketing Mix	<i>Ask customers about their needs, carry appropriate products, price products to create a sense of value, have effective in-store promotions, emphasize customer service with all employees, follow-up with all customer problems and questions</i>

Lesson 19.3 Managing Marketing Risks

LESSON QUIZ

Directions: For each of the following statements, if the statement is true, write a T on the answer line; if the statement is false, write an F on the answer line.

- F 1. The first goal of risk management should be to reduce the negative effects of risks on the business and its customers.
- F 2. A business should always choose the marketing mix alternative that has the least amount of risk.
- T 3. Risk reduction activities and responsibilities should be identified in the marketing plan.
- T 4. All marketing personnel should receive training in safety and security procedures.
- F 5. Life insurance for a company's top marketing executive is an example of professional liability insurance.
- F 6. With careful planning, all of the major risks facing a business can be eliminated.
- T 7. The careful selection of marketing personnel is actually a method of reducing risks.

Directions: For each of the following items, decide which choice best completes the statement. Write the letter that identifies your choice on the answer line.

- D 8. A market analysis should identify
 - A. insurance requirements for a business
 - B. marketing mixes that have no risks
 - C. specific activities the company should take to reduce risks
 - D. the risks and opportunities that relate to competitors' actions
- B 9. A responsibility of the marketing manager is to carefully review each part of the action plan to
 - A. establish marketing goals
 - B. determine if risks are adequately addressed
 - C. cut costs
 - D. proofread the plan for errors
- A 10. Purchasing insurance is a method of
 - A. transferring risk
 - B. establishing a marketing strategy
 - C. addressing customer needs
 - D. all of the above

Activity 1 • Risks and Opportunities

Directions: Risks and opportunities are a part of all businesses and can be found in each of the marketing functions. Select a business in your community. Carefully analyze the business using each of the nine marketing functions. For each marketing function identify one risk the business may face and one opportunity available to the business that is specifically related to that function. Compare your answers with those of other students who have analyzed a different business.

Business: _____

Marketing Function	Risk Facing the Business	Opportunity Available to the Business
Market Planning	<i>Answers will vary, but should be related to the marketing function.</i>	
Product and Service Management		
Selling		
Financing		
Promotion		
Risk Management		
Distribution		
Pricing		
Marketing-Information Management		